

COMMENTS

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1) I should like to begin my comments by saying that I have been much impressed by the splendid progress that has taken place both in the NICs and in the ASEAN countries during the past decade or so. While they may be facing serious difficulties at this moment, I have no doubt that ASEAN will be in the place of the NICs and the NICs in that of Japan (if I may say so) in not too distant future. I am thus basically very optimistic in this regard.

Their performance clearly has two implications. Firstly, these countries are the source of a potential "threat" to Japan. In fact, some Japanese business firms have been very cautious in dealing with these fast-growing countries, lest their competition edge be lost for ever. Secondly, these nations represent a very promising (and growing) outlet for the Japanese products in the future. For this reason, there is every reason that Japan should stick to the principle of free trade, as this is the corner stone for her future development.

The unfavorable impacts of the two oil crises have been most serious on non-oil producing LDCs. In this respect Indonesia has only recently been placed in a position similar to other non-oil producing developing countries. To ease such difficulties, it is almost imperative that Japan resolve its trade conflicts vis-à-vis the United States and the E.C. countries. Moreover, it is pressing that Japan liberalize her importation from the LDCs as quickly as possible and to lift its trade-restricting practices wherever they are found.

2) Regarding technology transfers, it seems to me that there is some misunderstanding in certain quarters of the LDCs. First of all, the Japanese government has little authoritative power to enforce the private sector either to encourage or discourage the transfer. Second, the private sector naturally requires payment for the cost it has incurred on the investment when it transfers its technologies. Third, the Japanese style of management may be a cause of the problem, as relatively little delegation of managerial authorities seems to take place in the Japan-related joint venture companies, leading to a common impression that Japan is unwilling to impart her technological knowhow.

3) Professor Drodjatun talks about the possibility of Indonesia's falling back on agriculture and the informal sector. As my knowledge about Indonesia is limited, I should like to ask him some questions on the performance of the economy.

(a) Has not time come for the country to switch the policy in such a way that greater emphasis be placed on the role of the private sector? In the early part of the Meiji Era, incidentally, virtually all the public concerns came to a failure. This experience points to the difficulties involved in running manufacturing industries efficiently when they are in the hands of the government, although the direct reason for the failure came from the depressive policy adopted by the Count Matsukata.

(b) While the development of social overhead capital is a prerequisite for successful industrialization, has not excessive emphasis been given to the development of heavy in-

dustries, with too much government intervention? The influence of the Korean experience may have been significant here. The Indonesian government has tried for some time to promote the development of indigenous, medium and small industries. Perhaps this kind of effort should be strengthened.

4) It seems that one source of world irritation against Japan stems from the feeling that the country (Japan) has been a free rider; that is, the impression that Japan has grown strong without having paid her dues. One cannot ignore that there are elements of truth in this view.

Indeed, Japan has been slow to "internationalize" her society. This is due partly to her geographical location, to a high degree of cultural homogeneity which registers the introduction of heterogenous elements that may distort the stability of the system.

In anticipation of tomorrow's discussion on "what Japan can (and should) do," let me try the following idea on the two speakers.

It seems to be proper for Japan to establish a program of action whereby a considerable sum of resources, both human and monetary, be set aside for the purpose of international cooperation. Japan has endeavored very hard for the past decade in the area of ODA, for which Japan expended about \$8.7 billion, or approximately 0.75% of her GNP, in 1983, the amount ranking the third following \$23 billion of the United States and \$9 billion of France. But in the future Japan should perhaps be prepared to spend even more; for instance, an annual amount equivalent to 2% of her GNP.

In this connection, one may contemplate the following:

(a) "Overseas cooperation tax" should be newly created to finance the aid activities, as this will be good to bring the general public to realization that the action program is indeed indispensable and most appropriate for the country. However, the so-called "foreign assistance" should best be confined to those countries whose standard of living is close to subsistence level. Indeed various social projects be financed through this program, e.g., the creation of sophisticated telecommunication system, the establishment of science/technology institutes, etc.

(b) At the same time, private foundations should be given more favorable tax exemption privileges so that private voluntary cooperative actions are encouraged.

(c) The recipients of the program should not be confined to the LDCs. Moreover, the actual execution of the program should be entrusted as much as possible with the private, non-profit organization, through which non-Japanese citizens can also be recruited to assist the administration of the program.

(d) In managing the program, considerable attention should be given to manpower aspects in such a way that full-time professionals should be stationed in host countries on a long-term basis in order to identify the needs of the region as well as to manage the program.